



**JOHN CHIANG**  
**California State Controller**

December 20, 2010

TO: CITY AND COUNTY OFFICIALS

SUBJECT: Proposition 22 – Local Taxpayer, Public Safety, and Transportation Protection Act of 2010

This letter is being sent to clarify allocation amounts in light of the enactment of Proposition 22 and resulting allocation reductions to occur in December. When Proposition 22 was approved by voters on November 2, 2010, the allocation formulas for Streets and Highways (S & H) Code Section 2103 did not change.

The interpretation of that section when calculating November payments was based on an analysis assuming that Section 2103 had been effectively eliminated. Consequently, the allocation of the 17.3 cent excise tax made pursuant to S & H Code sections 2104 through 2108 on November 30, 2010, resulted in an overpayment of approximately \$14 million to cities and counties. The adjusted amounts to be reflected in the December 2010 Highway Users Tax Account payment are shown in the attached spreadsheet. Revised Remittance Advices will be available December 21, 2010, on the State Controller's Office website for the November 30, 2010, Highway Users Tax Account payment.

There is a second issue relating to the State borrowing from the 18 cent excise tax share and deferred payments. Proposition 22 did change the application of S & H Code section 2103.1, effectively prohibiting the borrowing or deferral of transportation funds due to cities and counties from the existing 18 cent excise tax. Deferral of the Highway Users Tax Account funds has ceased and the deferred amounts were included with the November 30, 2010, payments pursuant to S & H Code sections 2104 through 2108. Funds deferred from July through October 2010 will be repaid to cities and counties by April 30, 2011, as previously required by Chapter 10, Statutes of 2010 (ABX8 14).

If you have any questions, please contact Bill Byall, Division of Accounting and Reporting at (916) 323-0740 or at [Bbyall@sco.ca.gov](mailto:Bbyall@sco.ca.gov).

Sincerely,

ORIGINAL signed by:

JILL KANEMASU, Chief-Bureau of Payments